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MAINTENANCE AND REPAIR TYPE CONTRACTS AWARDED  
BY THE U.S. ARMY CORPS OF ENGINEERS EUROPE

Report No. D-2002-021

December 5, 2001

Office of the Inspector General  
Department of Defense

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### **Acronyms**

AFARS	Army Federal Acquisition Regulation Supplement
CCASS	Construction Contractor Appraisal Support System
DPW	Directorate of Public Works
FAR	Federal Acquisition Regulation
JOC	Job Order Contract
MATOC	Multiple Award Task Order Contract



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

December 5, 2001

**MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY**

**SUBJECT: Audit Report on Maintenance and Repair Type Contracts Awarded by  
the U.S. Army Corps of Engineers Europe (Report No. D-2002-021)**

We are providing this report for information and use. We conducted the audit in response to a Defense Criminal Investigative Service and U.S. Army Criminal Investigations Command request to review maintenance and repair type contracts awarded by the U.S. Army Corps of Engineers Europe. We considered management comments on a draft of this report when preparing the final report.

Management comments on the draft of the report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required. Recommendation 2.i. was deleted as a result of an agreement made during the exit conference with the U.S. Army, Europe. The remaining recommendations were renumbered.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Joseph P. Doyle at (703) 604-9349 (DSN 664-9349) ([jdoyle@dodig.osd.mil](mailto:jdoyle@dodig.osd.mil)) or Ms. Deborah L. Culp at (703) 604-9335 (DSN 664-9335) ([dculp@dodig.osd.mil](mailto:dculp@dodig.osd.mil)). See Appendix B for the report distribution. The audit team members are listed inside the back cover.

*David K. Steensma*  
David K. Steensma  
Acting Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

Report No. D-2002-021  
(Project No. D2000CK-0081)

December 5, 2001

### Maintenance and Repair Type Contracts Awarded by the U.S. Army Corps of Engineers Europe

#### Executive Summary

**Introduction.** The Defense Criminal Investigative Service and the U.S. Army Criminal Investigations Command requested an audit of maintenance and repair type contracts awarded by the U.S. Army Corps of Engineers Europe, Wiesbaden, Germany.

The U.S. Army Corps of Engineers Europe provides engineering support to military personnel, their families, and civilians in Europe. The engineering support includes technical and contracting support for the maintenance and repair of real property. The U.S. Army, Europe Directorates of Public Works are responsible for the maintenance and repair of most of the real property. The U.S. Army, Europe obtains some of their maintenance and repair services through the U.S. Army Corps of Engineers Europe who award indefinite-delivery, indefinite-quantity contracts such as job order contracts and multiple award task order contracts. During the period FY 1998 through 2000, the U.S. Army Corps of Engineers Europe and the U.S. Army, Europe Directorates of Public Works awarded 31 job order contracts and 1,506 task orders, valued at about \$99 million, for real property maintenance and repair work in Germany. During the same period, the U.S. Army Corps of Engineers Europe also awarded 30 multiple award task order contracts and 60 task orders valued at about \$33 million for real property maintenance and repair work in Germany. We reviewed 138 job order contract task orders and 57 multiple award task order contract orders with a value of about \$50 million.

**Objectives.** Our objective was to review the award and administration of maintenance and repair type contracts awarded by the U.S. Army Corps of Engineers Europe. We also reviewed the management control program as it related to the audit objective.

**Results.** U.S. Army Corps of Engineers Europe and U.S. Army, Europe Directorates of Public Works personnel did not properly award and administer contracts and task orders for the maintenance and repair of real property in Germany. U.S. Army Corps of Engineers Europe and U.S. Army, Europe Directorates of Public Works did not:

- adequately control and complete contract documents,
- properly report on contractor performance,
- adequately document end of fiscal year task order awards,
- provide adequate job order contract oversight,
- report contract actions in a timely and complete manner, and
- have current standard operating procedures for contracting functions.

During the period of FY 1998 through 2000, we identified one or more deficiencies on 174 of the 195 task orders reviewed. As a result, the rights of the Government were not adequately protected, and there was an increased potential for fraud, waste, and mismanagement for about \$50 million in job order contracts and multiple award task order contracts for real property maintenance in Germany. For details of the audit results, see the Finding section of the report. See Appendix A for details on the management control program.

**Summary of Recommendations.** We recommend that the Commander, U.S. Army Corps of Engineers Europe direct the Director of Contracting to develop, issue, and implement standard operating procedures to ensure the proper handling and completeness of contract files, proper and timely reporting of job order contracts, proper awarding of multiple award task order contracts, and proper performance of other contract functions. In addition, we recommend that the official contract files include the required documentation that accurately reflects the action. We also recommend that the U.S. Army Corps of Engineers Europe District perform additional oversight of its job order contracts.

We recommend that the Director Public Works, Deputy Chief of Staff, Engineer, U.S. Army, Europe direct the ordering officers and contracting officer's representatives, Directorates of Public Works, U.S. Army, Europe, to properly and completely document contract actions, report information in a timely and complete manner, and implement the job order contract coordinator's recommendations for similar actions.

**Management Comments.** The U.S. Army Corps of Engineers concurred and agreed to expand and implement standard operating procedures. The Corps sent a memorandum to inform all Europe District and Directorate of Public Works managers of the proper contract requirements, establish internal and external inspection and reporting procedures, follow up on job order contract staff assistance visit reports, and train personnel in the new procedures. The Corps will comply with contractor performance evaluation requirements, monitor multiple award task order contracts to control issuance, and issue sole source task orders to meet minimum requirements whenever practical.

The U.S. Army, Europe concurred and endorsed the proposed memorandum from the Corps of Engineers to the Area Support Group Commanders to express the importance of maintaining management controls procedures as indicated in the Job Order Contract Manual. The job order contract staff assistance visits will continue at a minimum of twice a year for each job order contract and the Inspector General, DoD, recommendations will be reviewed during the visits to ensure compliance. Additionally, U.S. Army, Europe staff will follow up within 3 weeks after the completion of each visit. The Job Order Contract Manual will be relabeled as Job Order Contract Manual-Standard Operating Procedures and updated to include examples of documentation. A discussion of management comments is in the Finding section of the report, and the complete text is in the Management Comments section.

**Audit Response.** Based on the exit conference held with U.S. Army, Europe after the issuance of the draft report, we deleted the recommendation to avoid splitting task orders and renumbered the remaining recommendations. Management comments on the other draft report recommendations are responsive; therefore, no additional comments are required.

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## Background

The Defense Criminal Investigative Service and the U.S. Army Criminal Investigations Command requested an audit of maintenance and repair type contracts at the U.S. Army Corps of Engineers Europe (the Corps), Wiesbaden, Germany. The Defense Criminal Investigative Service and the U.S. Army Criminal Investigations Command performed a joint investigation and believed an audit would be beneficial to improve management controls.

The Corps provides engineering support to military personnel, their families, and civilians in Europe. The engineering support includes contracting support for the maintenance and repair of real property. The U.S. Army, Europe Directorates of Public Works (DPWs) are responsible for the maintenance and repair of most of the real property. For a fee, the Corps provides technical and contracting services to the DPWs. The U.S. Army, Europe obtains some of their maintenance and repair services through the Corps. The Corps awards indefinite-delivery, indefinite-quantity contracts such as job order contracts (JOCs) and multiple award task order contracts (MATOCs).

**Job Order Contracts.** A JOC is an indefinite-delivery, indefinite-quantity contract that is awarded by full and open competition and is used to acquire real property maintenance and repair or minor construction at installation (post, camp, or station) level. The JOC includes a list of repair, maintenance, and minor construction task descriptions or specifications, units of measure, and pre-established unit prices for each task. A number of tasks normally make up each project or job order under a JOC. Contracting personnel compete the basic JOC but award task orders without competition. Guidance on the award and administration of JOCs is contained in Army Federal Acquisition Regulation Supplement (AFARS) 17.90, "Job Order Contracts," and in the "Job Order Contracting Guide," issued by the Job Order Contracting Steering Committee.

During the period FY 1998 through 2000, the Corps and DPW personnel awarded 1,506 task orders under 31 basic JOCs, valued at about \$99 million, for real property maintenance and repair work in Germany. The Corps contracting office delegated ordering officer and contracting officer's representative responsibilities to 10 DPWs, which allowed DPW personnel to award task orders without going through the Corps. The duties and responsibilities for the ordering officers and contracting officer's representatives were specified in written delegation letters. The six DPWs that we visited, Ansbach, Hanau, Hohenfels, Schweinfurt, Stuttgart, and Wuerzburg, awarded 841 task orders under 11 JOCs, valued at about \$46 million, during the period FY 1998 through 2000.

**Multiple Award Task Order Contracts.** A MATOC is an indefinite-delivery, indefinite-quantity contract. The Corps uses the MATOCs to award contracts to several contractors for each discipline such as general repair, road paving, demolition, and roofing. The Corps competes the award of individual task orders among the MATOC contractors for that discipline. Also, the Corps contracting personnel administered MATOC basic contracts and task orders, and

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the duties were not delegated to the DPWs. During the period FY 1998 through 2000, the Corps awarded 30 MATOCs and 60 task orders, valued at about \$33 million, for maintenance and repair projects in Germany.

## **Objectives**

Our objective was to review the award and administration of maintenance and repair type contracts awarded by the U.S. Army Corps of Engineers Europe. We also reviewed the management control program as it related to the audit objective. See Appendix A for a discussion of the audit scope and methodology, the review of the management control program, and prior coverage related to the audit objectives.

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## **Adequacy of Award and Administration of Maintenance and Repair Contracts**

The Corps and DPW personnel did not properly award and administer contracts and task orders for the maintenance and repair of real property in Germany. This condition occurred because Corps and DPW personnel did not:

- follow Federal and DoD regulations and management controls, or
- submit or obtain and maintain reliable and timely information.

As a result, during the period FY 1998 through 2000, 174 task orders of the 195 task orders reviewed were deficient, the rights of the Government were not adequately protected, and there was an increased potential for fraud, waste, and mismanagement for about \$50 million in JOCs and MATOCs reviewed for real property maintenance in Germany.

### **Maintenance and Repair Type Contracts**

The Corps and DPW personnel improperly awarded and administered real property maintenance and repair contracts in Germany. Corps and DPW personnel did not always properly document contract actions, maintain contract files, or evaluate and report on contractor performance. In addition, Corps personnel did not properly oversee the DPWs use and administration of JOC actions.

### **Management Control Requirements**

Corps contracting personnel did not establish adequate management controls over the award and administration of contracts and task orders for real property maintenance and repair in Germany. Office of Management and Budget Circular No. A-123, "Management Accountability and Control," defines management controls as

. . . the organization, policies, and procedures used by agencies to reasonably ensure that (i) programs achieve their intended results; (ii) resources are used consistent with agency mission; (iii) programs and resources are protected from waste, fraud, and mismanagement; (iv) laws and regulations are followed; and (v) reliable and timely information is obtained, maintained, reported and used for decision making.

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The Circular identifies general management controls that ensure compliance with applicable laws and regulations as well as reasonable assurance that assets are safeguarded against waste and loss. Corps and DPW personnel did not have adequate controls in place to ensure regulations and management controls were followed, reliable and timely information was obtained and maintained, and program resources were protected from fraud, waste, and mismanagement. Of the 195 JOC and MATOC task orders reviewed (138 JOC task orders and 57 MATOC task orders), 174 task orders had one or more deficiency. The deficiencies were incomplete, improper, or missing contract documentation such as the request for proposal, site visit memorandum, contractor proposal, record of negotiations, DD Forms 1155, notice to proceed, JOC checklist, or contractor evaluations. The table summarizes the deficiencies identified at the Corps and the DPWs.

#### **Corps and DPW Deficiencies**

Corps	Ansbach	Hanau	Hohenfels	Schweinfurt	Stuttgart	Wuerzburg
Locating contract files	X					
Incomplete task orders	X					
Request for proposal		X	X	X	X	
Site visit memorandum	X	X	X	X	X	
Contractor proposal	X			X		
Record of negotiations	X	X	X	X		
DD Forms 1155	X					
Notice to proceed	X		X	X	X	
JOC checklist	X	X	X	X	X	
Contractor evaluations	X		X			
Bona fide need		X		X		
Monthly status reports		X	X	X	X	X
Standard operating procedures	X					X

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## Compliance with Regulations and Management Controls

Corps and DPW personnel did not comply with Federal and Army guidance and management controls for the control of contract documents, the reporting of contractor performance, end of fiscal year contracting, awarding task orders, and JOC oversight.

**Management Controls for Contract Documents.** Corps contracting personnel did not establish adequate management controls over contract documents. Contracting personnel could not readily locate contract and task order files. In addition, files located did not always contain the required documentation. Also, contract documents within the files were often not properly completed.

**Criteria for Contract Files.** Federal Acquisition Regulation (FAR) 4.8, "Government Contract Files," states that file documentation shall be sufficient to constitute a complete history of the transaction for the purpose of:

- providing a complete background as a basis for informed decisions at each step in the acquisition process,
- supporting actions taken,
- providing information for reviews and investigations, and
- providing essential facts in the event of litigation.

AFARS 17.90 "Job Order Contracts," states that the contracting officer for the JOC shall ensure that all orders and modifications and significant supporting documentation issued outside the contracting office are duly received, recorded, and reported and are regularly reviewed for completeness and compliance with AFARS and sound business practices.

**Locating Contract Files.** Corps contracting personnel could not readily locate contract and task order files. We selected a judgmental sample of 16 contracts that included 641 task orders, valued at about \$62 million, awarded during the period of October 1997 through June 2000. We provided the Corps a list of the sample contracts on July 11, 2000. By August 9, 2000, Corps personnel were unable to locate 192 (30 percent) of the sample task orders (about \$11.3 million). Following our initial visit, Corps personnel did an inventory of contract documents at the Wiesbaden office and located 142 (74 percent) of the missing task orders. However, as of November 17, 2000, Corps personnel still could not locate 50 (8 percent) of the sample task orders that were valued at about \$2 million. This condition occurred because the Corps did not have current operating procedures for the control of official contract files, including procedures for obtaining and returning contract files. Contracts and task orders were stored in unidentified boxes, and the files were in disarray. Contract personnel should initiate procedures to ensure that contract documents are controlled in the proper manner. In addition to the difficulty in locating task order files, many task order files did not contain the required documentation.

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**Task Order Files at the Corps.** Corps contracting personnel did not ensure that the official contract files contained the required documentation. Corps personnel did not enforce the requirements for the DPWs to send the task order documentation to the Corps. The contracting officer's representative designation letter requires the contracting officer's representative to fax a copy of the DD Form 1155 "Order for Supplies and Services," to the Corps within 24 hours of contract award. In addition, the contracting officer's representative must provide a copy of the task order file to the Corps within 10 days of contract award. We could not always determine if or when DPWs sent the task orders and other documentation to the Corps. Official contract and task order files should include: request for proposals, record of negotiations, DD Forms 1155, notices to proceed, and contractor performance evaluations. Hohenfels and Schweinfurt DPWs were not sending task order documentation after the task orders were awarded. The Ansbach DPW personnel stated that they did not send the entire task order file to the Corps.

We reviewed 18 task order files from contract DACA90-99-D-0020 at the Corps after we had reviewed the same task order files at the Ansbach DPW. None of the 18 Ansbach task order files at the Corps contained all the required documentation. Twelve of the task order files contained only the DD Form 1155 and the statement of work or only the DD Form 1155. Five of the 12 files were faxed the day of our request. Before our visit, the Corps did not have contract documentation in their official files for those five task orders even though Ansbach personnel awarded the task orders 2 months to over a year before. Also, 3 of the 18 task order files did not contain any contract documents.

Corps personnel did not properly review and file task orders awarded by the DPWs, and DPW personnel did not always submit required documents to the Corps. The official contract files were incomplete because management controls were inadequate. During our review of contract files, we found task orders filed in the wrong location. Corps personnel claimed that the DPWs failed to submit the documents while DPW personnel claimed Corps personnel received the documents but mishandled them. We believe both statements were true. Corps personnel need to ensure that official contract files include all required documentation. In addition to missing task order files and incomplete task order files, many of the documents were insufficient to document the contract action.

**Contract Documentation.** The Corps and DPW personnel did not properly complete contract documentation. Corps and DPW personnel did not always adequately complete documentation such as requests for proposal, site visit memorandums, contractor proposals, records of negotiations, orders for supplies and services, notices to proceed, and JOC checklists. The missing, insufficient, undated, and unsigned documents made it difficult to determine whether the contractor met contract requirements and whether contracting personnel complied with Federal and DoD requirements. Many of these problems were also identified by the Corps JOC coordinator during staff visits.

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**Request for Proposal.** Ansbach, Hanau, Hohenfels, Schweinfurt, and Stuttgart DPW personnel failed to properly prepare the request for proposal for JOC task orders. The DPW personnel did not include a funds availability statement and estimated performance time required by the JOC Manual on the request for proposal. All five DPWs failed to include the funds availability statement. In addition, Hanau and Hohenfels DPWs failed to identify the estimated performance time. Requests for proposal should be properly prepared to avoid any unnecessary time delays and to ensure that the contractor clearly understands the Government request. DPW personnel should ensure that these items are included to execute a proper request for proposal.

**Site Visit Memorandum.** Corps and DPW personnel, at Ansbach, Hanau, Hohenfels, Schweinfurt, and Stuttgart, prepared site visit memorandums that were not sufficiently descriptive. Personnel did not properly identify changes in requirements, contractor questions, and Government personnel replies. In addition, we were unable to determine whether the contractor and customer received copies of the site visit memorandum. Specifically, at Hanau, Hohenfels, and Schweinfurt DPWs, we could not determine whether the person signing the memorandum attended the site visit because they were not listed on the attendee list. The JOC Manual specifies that understandings and agreements reached with the contractor or customer during the site visit must be included in the site visit memorandum, and that the Government representative conducting the site visit must sign the memorandum. Additionally, the contractor and the customer are to receive copies of the memorandum before the contractor prepares the proposal. Personnel must include those items in the site visit memorandum to avoid any misunderstandings of requirements, possible litigation, and additional cost and time for the Government.

**Contractor Proposals.** Corps and DPW personnel did not properly document the receipt of contractor proposals. We could not determine when the Government received the proposals because Corps personnel and Hanau and Schweinfurt DPW personnel did not date and time stamp the receipt on the contractor's proposal. Corps and DPW personnel should date and time stamp receipt on the contractor's proposals to ensure that the proposals are not opened before preparation and approval of the independent Government estimate.

**Records of Negotiations.** Corps and DPW personnel did not adequately prepare records of negotiations. Corps and Hanau DPW personnel did not adequately describe changes in the records of negotiations when there was a change in the independent Government estimate or the contractor proposal. Additionally, when funds were not available, the Ansbach and Schweinfurt DPWs did not always include a statement in the records of negotiations that the award was subject to availability of funds. The JOC Manual states that the record of negotiations should include the contractor's original and revised proposal with amounts and dates; the original independent Government estimate with dates and revisions; and if funds are not available, a statement that no award will be made until appropriate funds are available. Corps and DPW personnel should adequately prepare and document the records of negotiations as a basis for the task order.

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**Completion of DD Forms 1155.** Corps personnel failed to complete the DD Forms 1155 properly. The reviewed forms did not always indicate the award date, were not always dated or signed by the contractor, or were signed by the contractor after the Government representative. At the Corps, we reviewed 173 task orders where 101 had no contractor signature or date. Additionally, the contractor signed 42 of the 72 dated task orders after the Government representative. The JOC guide specifies that task order files contain a DD Form 1155 signed first by the contractor then by the Government representative. Corps personnel should retain a properly completed DD Form 1155 in the official contract files.

**Requirements for Notice to Proceed.** Corps and DPW personnel prepared notices to proceed that were undated, unsigned, had no specified performance period, or were not issued in a timely manner. The JOC Manual states that the notice to proceed must be issued within 60 days of the task order date. The Corps JOC and MATOC official contract files did not usually contain a notice to proceed or a completed notice to proceed with dates and contractor signature. In addition, Corps personnel did not state the period of performance or estimated performance time on the notice to proceed unless it was part of the DD Form 1155. We reviewed 20 JOC task orders at the Corps that should have included a notice to proceed. Twelve of the 20 notices to proceed were missing from the contract file. Six other notices were not dated and signed by the contractor, or did not include a performance period and completion date. In addition, we reviewed 57 MATOC task orders at the Corps that should have included a notice to proceed. Twenty-five of the 57 notices to proceed were missing from the contract file, and 20 other notices to proceed were not dated or signed and dated by the contractor, or did not state a performance period and completion date.

DPW personnel issued notices to proceed that were undated, unclear as to the performance period, and issued more than 60 days after the award of the task order. The Stuttgart DPW issued notices to proceed that were unclear when part of the DD Form 1155 and issued undated notices to proceed when a separate document was prepared. The Hanau DPWs issued notices to proceed that were not always clear as to the performance period. The Hohenfels and Schweinfurt DPWs issued notices to proceed more than 60 days after the award of the task order.

The notice to proceed establishes the start of contractor performance and the period of performance. The Corps and DPW personnel should accurately prepare the notice to proceed to ensure that the Government has a legal basis should any problems arise.

**JOC Checklist.** Corps and DPW personnel did not always properly complete the JOC checklist. The checklist is a management control tool to ensure that contract actions are properly completed and documented. The JOC Manual contains a checklist to be used with each task order and modification. The JOC checklist requires the signatures of two individuals: a preparer and a reviewer. Corps personnel did not always complete the JOC checklist or include a second signature. For example, Corps personnel did not include the checklists for 10 task orders and did not complete the JOC checklists

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or have two signatures for 21 of the 31 task orders. In addition, Ansbach, Hohenfels, Schweinfurt, and Stuttgart DPW personnel were not using the correct checklist. Personnel at these four DPWs and at Hanau DPW did not always complete the checklist or have the two signatures. Corps and DPW personnel should use the JOC checklist from the JOC Manual to ensure that contract actions were performed and adequately documented.

**Contractor Performance Reporting.** Corps and DPW did not always perform contractor performance evaluations required by Federal and Army regulations. In addition, when Corps and DPW personnel prepared performance evaluations, they did not adequately support the ratings. Also, Corps personnel did not enter contractor evaluations into the Construction Contractor Appraisal Support System (CCASS). Additionally, Corps personnel did not consider performance evaluations during the preaward process.

**Criteria for Evaluation of Contractor Performance.** FAR 42.15, "Contractor Performance Information," requires that agencies evaluate construction contractor performance. AFARS 17.9005, "Contract Administration," states that contractor performance evaluations shall be prepared for all orders of \$100,000 or more and submitted to the CCASS.

**Preparation of Contractor Performance Evaluations.** Corps and Hanau DPW personnel did not always perform contractor evaluations when required. Also, evaluations when prepared did not support the ratings. The contracting officer's representative delegation letter requires that the contracting officer's representative prepare a contractor evaluation for each task order of \$100,000 or more. Corps personnel also did not always complete performance evaluations when required, and Hanau personnel never prepared performance evaluations. The other five DPWs prepared performance evaluations, however they frequently were not sufficiently descriptive to support the ratings or use the evaluations in the preaward process. Corps personnel did not enter the evaluation data into CCASS, even when personnel completed performance evaluations.

**CCASS Data.** Corps personnel did not enter contractor performance evaluations into CCASS for task orders valued at \$100,000 or more. During the period of FY 1998 through December 31, 1999, the Corps and DPW personnel awarded 160 JOC task orders, valued each at \$100,000 or more, with a total value of \$33.4 million, for real property maintenance and repair work in Germany. However, evaluations for maintenance and repair work performed under Corps task orders were not entered into CCASS. This condition occurred even though the Corps received some performance evaluations from the DPWs. As a result, contractor performance information from CCASS was unavailable during the preaward process.

**Performance Data During Preaward.** Corps contracting personnel did not consider CCASS data or performance evaluations during the award process. The "Job Order Contracting Guide" states that before awarding a JOC contract, contracting officers must retrieve all performance evaluations in the CCASS on the offerors. Rather, Corps personnel relied upon references provided by the contractor and then followed up using Corps contract specialists. If Corps

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personnel are not going to use CCASS, the Corps should at least maintain a central file by contractor or independent Government evaluations of contractor performance.

**End of Fiscal Year Contracting.** DPW personnel awarded several task orders at fiscal year end without a documented bona fide need. Federal and DoD guidance cautions against awarding task orders for maintenance and repair at fiscal year end. The DoD Financial Management Regulation 7000.14, volume 3, "Budget Execution," states, "... contracts awarded near the end of the fiscal year must contain a specific requirement that work begins before January 1 of the following calendar year." However, the Army funded a disproportionate share of maintenance and repair projects in Germany during the final month of the fiscal year. For example, during FY 2000, the DPWs issued almost 40 percent of their JOC task order dollars for maintenance and repair in September.

The DPWs awarded several task orders at fiscal year end where work began after January of the following year. The bona fide needs rule requires that work be financed with funds that are current when the Government incurred the obligation. Part of the evidence for a bona fide need is that the contractor will start promptly and perform without unnecessary delay. DPW documentation did not always demonstrate a bona fide need. For example, at the Ansbach DPW, 6 of the 12 task orders reviewed, task orders 0017, 0018, 0046, 0049, 0050, and 0051 under the JOC DACA90-99-D-0020, had bona fide need issues. The Ansbach ordering officer awarded six task orders in September with inflated performance periods because they had not planned to start the work until after January. Task orders 0017, 0018, and 0046 had performance periods of 330 days for work similar to task order 0019, which had a performance period of 90 days. Likewise, task orders 0049, 0050, and 0051 had performance period of at least 290 days. These projects were similar to task order 0048 that had a performance period of 130 days. Personnel must document a bona fide need for fiscal year-end projects.

**Corps JOC Oversight Responsibilities.** The Corps JOC coordinator provided constructive guidance to DPW personnel through reviews, staff visit memorandums, basic JOC training and an annual JOC workshop. The Corps JOC coordinator tried to visit each DPW in Germany twice per year to review the ordering officers' JOC files and procedures as required by the AFARS. After the review, the Corps JOC coordinator wrote a staff visit memorandum to the DPW identifying specific task order problems. The JOC coordinator taught a basic JOC class to personnel before delegating authority to them. In addition, the JOC coordinator held an annual JOC Workshop for the DPW personnel to discuss problems. The DPW personnel stated that the training, workshops, and site visits were beneficial. We believe that without the site visits and training, the management control issues would have escalated.

Even though the Corps JOC coordinator provided constructive guidance, the Corps contracting personnel did not provide adequate oversight of the DPWs use of JOCs. The Corps personnel did not ensure that DPW personnel implemented the Corps JOC coordinator's recommendations. For example, if the JOC coordinator identified a problem on a specific task order, DPW

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personnel would correct that task order, but would often not correct the problem on other task orders. The JOC coordinator's only enforcement to correct deficiencies is to recommend to the Corps contracting officer that the DPW ordering officer authority be revoked. The Corps contracting personnel did not provide adequate oversight over Corps JOC contracts. The JOC coordinator was not required to review Corps JOC contracts administered by the Corps area offices. The Corps should ensure that the JOC coordinator's site visit recommendations are implemented. The JOC coordinator should also visit the Corps European area offices and offices in Turkey and Italy twice a year.

## **Proper and Timely JOC Reporting**

The DPWs did not submit monthly task order status reports to the Corps in a timely manner, and did not include all information required by the JOC guide. Also, DPW personnel were unable to account for the status of all JOC task orders. The JOC guide states that a monthly status report be submitted that captures the subject and dollar amount of all task orders issued and completed during the month, the status of all incomplete task orders, a statement of the total number and dollar amount of task orders issued, and the difference between the dollar amount issued and the JOC maximum value.

**Untimely Delivery.** DPW personnel did not submit the monthly status reports in a timely manner. The JOC guide requires that the DPW personnel transmit a monthly status report no later than the tenth day of the following month. However, the contracting officer's representative delegation letter required the reports by the last working day of the month. DPW personnel submitted 126 of the 200 reports later than the tenth day of the following month or the transmission date was undeterminable. Corps personnel should clarify when they need the monthly status report. DPW personnel should provide the status report within the established timeframe. Additionally, the monthly status reports often did not include all required information.

**Incomplete Reports.** The DPW monthly status report did not include the status of all incomplete task orders. The JOC guide requires that the monthly status report include the status of all incomplete task orders, but the contracting officer's delegation letter did not require that information. As a result, none of the DPWs included the information, and Corps personnel did not request the information. Including the status of all incomplete task orders would allow the Corps personnel to account for gaps in task order numbers listed in the Standard Army Automated Contracting System, the system that the Corps used to manage JOC data. Also, the Hanau DPW personnel did not complete the back page of the report, which tabulated remaining funds on the JOC, and Corps personnel did not request the information. The monthly status report is a management control tool for the Corps and DPW personnel to monitor the difference between the dollar amount issued and the JOC maximum value. Corps personnel should reconcile the information in the monthly status report with the information in the Standard Army Automated Contracting System as a control to prevent the DPWs from exceeding JOC monetary limits.

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**Task Order Tracking.** DPW personnel were unable to account for the status of all task orders under a JOC. DPW personnel sometimes awarded task orders out of sequence and could not readily determine whether a task order was waiting funding, cancelled, in process, or completed. Five of the DPWs, all but Stuttgart, gave projects a task order number before it was ready to be awarded, and the projects were not always awarded in sequence of task order number. The DPW personnel did not provide a listing to the Corps of unawarded or cancelled task order numbers to account for the gaps in task orders awarded. In addition, Hanau DPW provided four task orders for use to their Area Support Group DPW but did not obtain copies of the awarded task orders or the amount of the task orders. The four task orders totaled \$533,294. Since Hanau DPW personnel did not obtain the amount of the task orders, they could have exceeded the JOC dollar limitation. Management controls were inadequate to account for the status of all task orders.

## **Protection of Program Resources**

Corps personnel did not ensure that management controls were adequate to protect Government resources of about \$50 million in JOCs and MATOCs for real property maintenance. The Corps standard operating procedures were either nonexistent or ineffectively used in contracting. However, Corps personnel did properly compete MATOC task orders. Additionally, the Wuerzburg DPW did not have standard operating procedures for their JOC.

**Unused MATOCs.** Corps contracting personnel did not satisfy the minimum guarantee requirement for 11 MATOCs. The Corps guaranteed that the contractor would receive at least \$10,000 in task orders or \$10,000 during the first year under the contract. However, contracting personnel did not issue any task orders for 11 MATOCs in the base year, which resulted in the Government owing the contractors minimum guaranteed amounts totaling \$110,000. Corps personnel issued task orders on 6 of the 11 MATOCs in the first option year, and claimed that option year issuance satisfied the minimum guaranteed requirement. Corps personnel did not satisfy the minimum guarantee on 4 of the 11 MATOCs because they did not issue sole source task orders to satisfy the minimum guarantee. Also, the Corps did not award any task orders on the remaining MATOC because customers did not require the services specified in the MATOC. As of September 2000, the Corps still owed contractors at least \$50,000 for the remaining five MATOCs.

**Competition of MATOC Task Orders.** Corps personnel properly competed MATOC task orders. FAR 16.505 "Ordering" requires each awardee have fair opportunity for consideration of each task order valued at \$2,500 or more. In accordance with FAR 16.505, of the 58 task orders that we reviewed, the Corps competed 43 task orders (74 percent). The Corps awarded 14 task orders as first order awards or sole source awards to meet the minimum guarantee requirements. The Corps awarded one task order as a follow-on task order.

**Standard Operating Procedures.** The Corps and Wuerzburg DPW did not have standard operating procedures for many contracting functions. When the contracting personnel had nothing to refer to, contracting documentation was

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rarely submitted complete, reviews were extensive and time-consuming, and lessons learned were not documented so that mistakes were not repeated. New employees were often left to absorb procedures over time rather than referring to specific guidance. Standard operating procedures are especially relevant to the overseas environment because personnel are assigned to the Corps office in Wiesbaden for no more than 5 years. The steady turnover of personnel makes current standard operating procedures a necessity. The Corps had not issued final standard operating procedures for MATOCs more than 2 years after they awarded their initial MATOC. Also, Wuerzburg DPW did not have standard operating procedures that identified the duties and responsibilities of all participants in the JOC process as required by the JOC guide. The Wuerzburg contracting officer's representative was aware of the proper procedures because the individual worked with the JOC since its inception. However, if the Wuerzburg contracting officer's representative was unavailable, his successor would have difficulty learning the JOC procedures. Corps and Wuerzburg DPW personnel must develop and implement standard operating procedures to provide continuity to their organizations.

## **Summary**

Corps and DPW personnel did not properly award and administer JOC and MATOC task orders for real property maintenance in Germany. Corps and DPW personnel did not always follow Federal and DoD guidance and management controls when awarding and administering contracts. Management controls were not established or were missing or circumvented, and contract file documentation was incomplete and inaccurate to track the action from inception to completion.

Management controls ensure the compliance of the operation of programs and functions performed by an organization, in this case the award and administration of maintenance and repair type contracts. Management controls should provide reasonable assurance that the resources and functions of an organization are adequately protected against fraud, waste, and mismanagement. Contracting officers must ensure that all necessary actions are accomplished. If these actions are performed in other functional areas such as the DPWs or Corps area or resident offices, the contracting officer must receive adequate documentation to support the accomplishment of the action. The documentation must be complete and organized in such a manner that the contracting officer can reconstruct the events, ensure reviews are accomplished, and ensure that management controls are not circumvented. Because of the missing, undated, unsigned documentation in the contract files, inadequate oversight, and lack of standard operating procedures; there was no assurance that the Government's interests in about \$50 million in JOCs and MATOCs for real property maintenance in Germany were adequately protected.

## **Corps Corrective Actions**

Corps contracting personnel implemented some corrective actions during the audit. Contracting personnel inventoried the Corps Wiesbaden office contract

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files. Personnel were drafting standard operating procedures for MATOCs and for handling contract files. Also, contracting personnel restricted access to contract files and required a central check out and check in area. Additionally, the Corps issued guidance in August 2001 that addressed deficient practices in the management of JOCs. These actions should alleviate most of the management control issues identified during the audit.

## **Hanau DPW Corrective Actions**

The U.S. Army, Europe, Hanau DPW, 414th Base Support Battalion, Chief, Engineering Plans and Services Division, issued a November 27, 2000, memorandum outlining corrective actions that would be taken in response to the results of our audit. The actions should correct many of the deficiencies noted. The memorandum cited the following areas.

- Performance evaluations will be completed and forwarded to the contracting officer on all task orders over \$100,000 and any task order requiring special attention upon completion.
- Monthly status reports will include the second page and include all task orders awarded by the 104th Area Support Group DPW under the Hanau JOC.
- The 104th Area Support Group DPW task order files awarded under the Hanau JOC will be reviewed and maintained.
- All task order files will be sent to the Corps upon completion.
- Request for proposals will contain the following statement: Before work can begin, your proposal must be negotiated, and these negotiations will be forwarded for required approvals, including that of the contracting officer. No work shall commence until a signed delivery order is issued. Note that the delivery order is subject to availability of funds, and funding may not be available. Also expected duration of the project will be clearly stated.
- The site visit memorandum will contain the following items: time (hour) of the visit, a statement of mutual understanding between contractor and contracting officer's representative, a statement that the customer cannot speak to the contractor, and a statement that all the contractor's questions were answered.
- Record of negotiations will continue to be signed by the contracting officer's representative unless directed otherwise.
- All checklists for task orders will have two signatures instead of one.

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## **Recommendations and Management Comments**

**Deleted Recommendation.** Based on the exit conference held with U.S. Army, Europe, after the issuance of the draft report, we have deleted Recommendation 2.i. related to splitting task orders and renumbered the remaining recommendations.

**1. We recommend that the Commander, U.S. Army Corps of Engineers, Europe District, direct the Director of Contracting to:**

**a. Develop, issue, and implement standard operating procedures to handle, track, and access official contract files.**

**Management Comments.** The U.S. Army Corps of Engineers concurred and stated the current standard operating procedures will be expanded and distributed, and personnel will be trained on changes to procedures by November 30, 2001.

**b. Enforce the requirements in the ordering officer's and contracting officer's representative delegation letters, the Job Order Contract Manual, and Job Order Contracting Guide, for the U.S. Army, Europe, Directorates of Public Works personnel to send the task order documentation to the Corps in the timeframes designated.**

**c. Include all required documentation in the official contract files.**

**d. Prepare site visit memorandums to:**

**(1) Include an explanation of understandings and agreements with the contractor or customer during the site visit.**

**(2) Include the names of attendees.**

**(3) Include the signature of the Government representative conducting the site visit.**

**(4) Issue copies to the contractor and the customer before the contractor proposal is prepared.**

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**e. Document the date and time of receipt on contractor proposals.**

**f. Prepare records of negotiation that:**

**(1) Sufficiently describe changes in the independent Government estimate or the contractor's proposal.**

**(2) Include, when required, a statement that the award is subject to the availability of funds.**

**Management Comments.** The Corps concurred and stated that they sent a memorandum to inform all Europe District and Directorate of Public Works managers of the requirements. The Corps will establish internal and external inspection and reporting procedures, follow up on job order contract coordinator's staff visit recommendations, and train personnel in the new procedures by November 30, 2001.

**g. Prepare DD Forms 1155 "Order for Supplies and Services" that are signed and dated by the contractor and the Government official. The contractor should sign the DD Form 1155 before the Government official.**

**Management Comments.** The Corps concurred and stated that they sent a memorandum to inform all Europe District and Directorate of Public Works managers of the requirements. The Corps will establish internal and external inspection and reporting procedures, follow up on job order contract coordinator's staff visit recommendations, and train personnel in the new procedures by November 30, 2001. The Corps stated that exceptions will be limited to year-end and will be coordinated and reported to the contracting officer.

**h. Prepare notices to proceed to:**

**(1) Establish the performance period and completion date.**

**(2) Include signatures and dates by the Government official and contractor.**

**(3) Issue within 60 days of the award of the task order.**

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**Management Comments.** The Corps concurred and stated that they sent a memorandum to inform all Europe District and Directorate of Public Works managers of the requirements. The Corps will establish internal and external inspection and reporting procedures, follow up on job order contract coordinator's staff visit recommendations, and train personnel in the new procedures by November 30, 2001. The Corps additionally stated that exceptions will be actions not requiring a notice to proceed and where the notice to proceed is not on the DD Form 1155.

**i. Complete the job order contract checklist provided in the Job Order Contract Manual for each task order.**

**j. Prepare contractor performance evaluations that are sufficiently detailed to support the rating.**

**Management Comments.** The Corps concurred and stated that they sent a memorandum to inform all Europe District and Directorate of Public Works managers of the requirements. The Corps will establish internal and external inspection and reporting procedures, follow up on job order contract coordinator's staff visit recommendations, and train personnel in the new procedures by November 30, 2001.

**k. Enter the contractor performance evaluations into the Construction Contractor Appraisal Support System or maintain separate files with performance evaluations for each contractor for use in the preaward process.**

**Management Comments.** The Corps concurred and stated that they will comply with maintaining performance evaluations by November 30, 2001.

**l. Perform oversight over the U.S. Army Corps of Engineers Europe District job order contracts at the Corps area and resident offices.**

**Management Comments.** The Corps concurred and stated that they will receive, evaluate, and enforce corrective actions on District site inspection reports within 7 workdays of the inspection. Bi-annual staff assistance visits will be performed at all Corps area and resident offices administering job order contracts starting October 1, 2001. Corrective action will be taken on all deficiencies identified by the job order contract coordinator and not just for the task orders which the deficiencies were noted but for all applicable task orders.

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**m. Conduct regular site visits with the U.S. Army, Europe Directorates of Public Works that have job order contracts. Ensure that the reviewer's recommendations are implemented for all applicable task orders.**

**Management Comments.** The Corps concurred and stated that they will receive, evaluate, and enforce corrective actions on Directorates of Public Works site inspection reports within 7 workdays of the inspection. Corrective action will be taken on all deficiencies identified by the job order contract coordinator and not just for the task orders on which the deficiencies were noted but for all applicable task orders.

**n. Establish a timeframe for U.S. Army, Europe Directorates of Public Works to submit the job order contract monthly status reports to the contracting officer.**

**o. Enforce the established timeframe and requirements for the monthly status reports with the U.S. Army, Europe Directorates of Public Works.**

**Management Comments.** The Corps concurred and stated that the District and Job Order Contract Manual monthly status report requirement of the last working day of the reporting month was reinforced in a memorandum to the Directorates of Public Works through U.S. Army, Europe. The Job Order Contract Manual stipulated the last working day of the month to submit the monthly status reports. Action was completed by March 30, 2001.

**p. Reevaluate the use of multiple award task order contracts for narrow disciplines of work.**

**Management Comments.** The Corps concurred. The contracting office will monitor multiple task order contracts for issuance.

**q. Issue sole-source task orders on multiple award task order contracts when necessary to meet the minimum guarantee.**

**Management Comments.** The Corps concurred and stated that whenever practical they will comply.

**r. Develop, issue, and implement standard operating procedures for contracting functions to provide for continuity of operations.**

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**Management Comments.** The Corps concurred, and the contracting office will establish a plan and milestones, map out processes, and develop procedures by November 30, 2001.

**2. We recommend that the Director Public Works, Deputy Chief of Staff, Engineer, U.S. Army, Europe, direct ordering officers and contracting officer's representatives at the U.S. Army, Europe Directorates of Public Works to:**

**a. Prepare request for proposals that:**

**(1) Include estimated performance time.**

**(2) Include, when required, a statement that the award is subject to the availability of funds.**

**b. Prepare site visit memorandums to:**

**(1) Include an explanation of understandings and agreements with the contractor or customer during the site visit.**

**(2) Include the names of attendees.**

**(3) Include the signature of the Government representative conducting the site visit.**

**(4) Issue copies to the contractor and the customer before the contractor proposal is prepared.**

**c. Document the date and time of receipt on contractors proposals.**

**d. Prepare the records of negotiations that:**

**(1) Sufficiently describe changes in the independent Government estimate or the contractor's proposal.**

**(2) Include, when required, a statement that the award is subject to the availability of funds.**

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**e. Prepare notices to proceed to:**

**(1) Establish the performance period and completion date.**

**(2) Include signatures and dates by the Government official and contractor.**

**(3) Issue within 60 days of the award of the task order.**

**(4) Retain in their contract file.**

**f. Complete the job order contract checklist provided in the Job Order Contract Manual for each task order.**

**g. Prepare contractor performance evaluations that are sufficiently detailed to support the rating.**

**h. Document a bona fide need for fiscal year-end projects or use the funds for other projects with bona fide needs.**

**i. Implement the U.S. Army Corps of Engineers job order contract coordinator's recommendations for all the task orders at a location. Corrective actions should not be limited to the task orders cited in the coordinator's reports.**

**j. Provide the U.S. Army Corps of Engineers monthly task order status reports that are timely and include all information required by the job order contract guide.**

**k. Track the status of all task order numbers including those waiting funding, cancelled, in process, or completed.**

**l. Develop, issue, and implement standard operating procedures that identify the duties and responsibilities of all participants in the JOC process as required by the JOC guide.**

**Management Comments.** The U.S. Army, Europe concurred with all recommendations. The U.S. Army, Europe will endorse the proposed command memorandum from U.S. Army Corps of Engineers to the Area

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Support Group Commanders to express the importance of maintaining management controls procedures as indicated in the Job Order Contract Manual. The job order contract staff assistance visits will continue at a minimum of twice a year for each job order contract, and the Inspector General, DoD, recommendations will be reexamined and reviewed during the visits to ensure compliance. The reexaminations were put in place as of June 1, 2001. Additionally, U.S. Army, Europe staff will follow up within 3 weeks after the completion of each staff assistance visit to ensure compliance with findings. The Job Order Contract Manual will be relabeled as Job Order Contract Manual-Standard Operating Procedures because it reflects detailed instructions on the administration of the job order contract program. The manual appendixes will be updated to include examples of job order contract documentation by October 15, 2001.

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## Appendix A. Audit Process

### Scope

**Work Performed.** We reviewed the award and administration of maintenance and repair type contracts awarded by the U.S. Army Corps of Engineers Europe. We interviewed personnel from U.S. Army Corps of Engineers, Headquarters, Washington, DC, and U.S. Army Corps of Engineers Europe, Wiesbaden, Germany. Additionally we met with personnel from the U.S. Army, Europe Deputy Chief of Staff, Engineer, Heidelberg, Germany. We visited 6 of 10 DPWs: Ansbach, Hanau, Hohenfels, Schweinfurt, Stuttgart, and Wuerzburg. We also met with the Defense Criminal Investigative Service and U.S. Army Criminal Investigations Command regarding their joint investigation of maintenance and repair type contracts awarded by the Corps.

We judgmentally selected a sample of 16 contracts that included 641 task orders, with a value of about \$62 million, awarded during the period of October 1997 through June 2000. The sample included contracts awarded by the Corps for work in Germany, Italy, and Turkey. Because Corps personnel could not readily locate 30 percent of our sample items, and because of the deficiencies in the contract files, we revised our scope to contracts and task orders awarded by the Corps and the DPWs for maintenance and repair work in Germany during the period of October 1997 through September 2000. We reviewed 138 task orders under 16 JOCs, with a value of about \$18 million, as well as 58 task orders awarded under 29 MATOCs, with a value of about \$32 million. We examined contract documents such as requests for proposals, site visit memorandums, source selection documents, records of negotiations, statements of work, notices to proceed, checklists, contractor performance evaluations, and miscellaneous correspondence. We reviewed the DPW JOC monthly status reports to the Corps for timeliness and completeness. In addition, we reviewed standard operating procedures at the Corps and DPWs related to contract files and maintenance and repair type contracts.

**General Accounting Office High-Risk Area.** The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the DoD Contract Management high-risk area.

### Methodology

**Use of Computer-Processed Data.** We did not rely on computer-processed data or statistical procedures. However, we reviewed data from the Construction Contractor Appraisal Support System, the Corps of Engineers Financial Management System, and the Standard Army Automated Contracting System. The task order information in Standard Army Automated Contracting System was not timely or reliable because Corps personnel did not enter JOC

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task order data in a timely manner. Also, Corps personnel did not enter data from contractor performance appraisals into Construction Contractor Appraisal Support System for maintenance and repair contracts in Germany.

**Audit Type, Dates, and Standards.** We performed this economy and efficiency audit from July 2000 through May 2001 in accordance with generally accepted government auditing standards.

**Contacts During the Audit.** We visited and contacted organizations and individuals within the DoD. Further details are available upon request.

## Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of Review of the Management Control Program.** We reviewed the U.S. Army Corps of Engineers Europe award and administration of contracts for real property maintenance and repair in Germany. Specifically, we reviewed the adequacy of management controls over the award and administration of MATOCs and JOCs. We reviewed the management's self-evaluation applicable to those controls.

**Adequacy of Management Controls.** We identified material management control weaknesses for U.S. Army Corps of Engineers Europe as defined by DoD Instruction 5010.40. U.S. Army Corps of Engineers Europe controls over the award and administration of maintenance and repair type contracts were not adequate to ensure that regulations and management controls were complied with, JOC reports were timely and complete, and program resources were protected against fraud, waste, and mismanagement. If management implements all recommendations, the management control weaknesses will be corrected. A copy of the report will be provided to the senior official responsible for management controls within U.S. Army Corps of Engineers.

**Adequacy of Management's Self-Evaluation.** Corps officials did not identify the award and administration of maintenance and repair contracts as assessable units; and therefore, did not identify the material management control weaknesses identified by this audit. The Corps management control plan consisted of the required checklists. Contracting personnel completed checklists that did not address the discrepancies noted in this audit.

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## **Prior Coverage**

The General Accounting Office and the Inspector General, DoD, have conducted multiple reviews related to contracting issues. General Accounting Office reports can be accessed on the Internet at <http://www.gao.gov>. Inspector General, DoD, reports can be accessed on the Internet at <http://www.dodig.osd.mil>.

### **General Accounting Office**

General Accounting Office, Report No. NSIAD-98-215, "Acquisition Reform: Multiple-award Contracting at Six Federal Organizations," September 30, 1998.

General Accounting Office, Report No. NSIAD-00-56, "Contract Management: Few Competing Proposals for Large DoD Information Technology Orders," March 20, 2000.

### **Inspector General, DoD**

Inspector General, DoD, Report No. 99-116, "DoD Use of Multiple Award Task Order Contracts," April 2, 1999.

Inspector General, DoD, Report No. D2001-189, "Multiple Award Contracts for Services," September 30, 2001.

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## **Appendix B. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition, Technology, and Logistics

    Director, Acquisition Initiatives

    Director, Defense Procurement

Under Secretary of Defense (Comptroller/Chief Financial Officer)

    Deputy Chief Financial Officer

    Deputy Comptroller (Program/Budget)

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)

Assistant Secretary of the Army (Acquisition, Logistics and Technology)

Auditor General, Department of the Army

Commander, U.S. Army Corps of Engineers

    Commander, U. S. Army Corps of Engineers Europe

Commander, U. S. Army, Europe

Commander, U.S. Army Criminal Investigations Command

    U.S. Army Criminal Investigations Command, Special Investigations Branch

### **Department of the Navy**

Naval Inspector General

Auditor General, Department of the Navy

### **Department of the Air Force**

Auditor General, Department of the Air Force

### **Unified Command**

Commander in Chief, U.S. European Command

### **Non-Defense Federal Organizations and Individuals**

Office of Management and Budget

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## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations

Senate Subcommittee on Defense, Committee on Appropriations

Senate Committee on Armed Services

Senate Committee on Governmental Affairs

House Committee on Appropriations

House Subcommittee on Defense, Committee on Appropriations

House Committee on Armed Services

House Committee on Government Reform

House Subcommittee on Government Efficiency, Financial Management, and  
Intergovernmental Relations, Committee on Government Reform

House Subcommittee on National Security, Veterans Affairs, and International  
Relations, Committee on Government Reform

House Subcommittee on Technology and Procurement Policy, Committee on  
Government Reform

# U.S. Army Corps of Engineers Comments



**DEPARTMENT OF THE ARMY**  
U.S. Army Corps of Engineers  
WASHINGTON, D.C. 20314-1000

REPLY TO  
ATTENTION OF:

15 OCT 2001

CEIR

MEMORANDUM FOR Department of Defense, Office of the Inspector General,  
400 Army Navy Drive, Arlington, VA 22202-4704

SUBJECT: Draft Audit Report of Audit of Maintenance and Repair Type Contracts  
Awarded by the U.S. Army Corps of Engineers, Europe -- RESPONSE

Attached is the official USACE response to subject DODIG audit.

FOR THE COMMANDER:

ROBERT CREAR  
Colonel, Corps of Engineers  
Chief of Staff

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Maintenance and Repair Type Contracts  
Awarded by the U.S. Army Corps of Engineers, Europe

The District concurs on all 18 recommendations. Milestone for completion of all actions is 30 Nov 01, unless stated otherwise in our responses.

Recommendation 1-A: Develop, issue, and implement standard operating procedures to handle, track, and access official contract files.

Action 1-A: The current SOP on handling of contract files to address access and control issues will be expanded, distributed, and the key personnel will be trained on the changes in the procedure.

Note: Action 1-B to F and 1-I to J are in one statement.

Recommendation 1-B: Enforce the requirements in the ordering officer's and contracting officer's representative delegation letters, and in the job order contract manual and job order contract guide, for U.S. Army, Europe, Directorates of Public Works personnel to send the task order documentation to the Corps in the timeframes designated.

Recommendation 1-C: Include all required documentation in the official contract files.

Recommendation 1-D: Prepare site visit memorandums to:

- (1) Include an explanation of understandings and agreements with the contractor or customer during the site visit.
- (2) Include the names of attendees.
- (3) Include the signature of the Government representative conducting the site visit.
- (4) Issue copies to the contractor and the customer before the proposal is prepared.

Recommendation 1-E: Document the date and time of receipt of contractor proposals.

Recommendation 1-F: Prepare records of negotiations that:

- (1) Sufficiently describe changes in the independent Government estimate or the contractor's proposal.
- (2) Include, when required, a statement that award is subject to the availability of funds.

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Maintenance and Repair Type Contracts Awarded by the  
U.S. Army Corps of Engineers, Europe  
Page 2

Recommendation 1-I: Complete the job order contract checklist provided in the job order contract manual for each task order.

Recommendation 1-J: Prepare contractor evaluations that are sufficiently detailed to support the rating.

Action 1-B to F and 1-I to J: The Action Office will do the following for recommendations B-F and I-J requirements:

- (1) Send a memorandum to notify all Europe District and DPW managers of the requirements by 15 Aug 01,
- (2) Establish internal and external inspection and reporting procedures,
- (3) Follow-up on JOC coordinator's Staff Assistance Visit reports to reinforce accountability and compliance, and
- (4) Train key personnel in the new procedures.

Recommendation 1-G: Prepare DD Forms 1155 "Order for Supplies and Services" that are signed and dated by the contractor and the Government official. The contractor should sign the DD Form 1155 before the Government official.

Action 1-G: Same as recommendation 1-B actions, exceptions will be limited to year-end and will be coordinated and reported to the Contracting Officer.

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Maintenance and Repair Type Contracts Awarded by the  
U.S. Army Corps of Engineers, Europe  
Page 3

Recommendation 1-H: Prepare notice to proceed to:

- (1) Establish the performance period and completion date.
- (2) Include signatures and dates by the Government official and contractor
- (3) Issue within 60 days of award of the task order.

Action 1-H: Same as recommendation B actions, exceptions will be actions not requiring Notice to Proceed and where that requirement is not on the DD Form 1155. The JOC Guide requires that only task orders awarded during the end of fiscal year must include specific requirement that work begin before 1 January of the following calendar year.

Recommendation 1-K: Enter the contractor performance evaluations into the Construction Contractor Appraisal Support System or maintain separate files with performance evaluations on each contractor for use in the preaward process.

Action 1-K: The Action Office will coordinate actions to comply with CCAS entry or establish an effective manual filing system used in evaluating potential contractors.

Recommendation 1-L: Perform oversight over the US Army Corps of Engineers Europe District job order contracts at the corps area and resident offices.

Action 1-L: The Action Office will receive, evaluate and enforce corrective actions on District site inspection reports within seven workdays of inspection. Bi-annual Staff Assistance Visits will be performed at all Corps of Engineers Area and Resident offices administering Job Order Contracts starting 1 October 2001. Corrective action shall be taken on all deficiencies identified by the JOC coordinator and not just for the task orders on which deficiencies were noted but on all applicable task orders.

Recommendation 1-M: Conduct regular site visits with the US Army, Europe Directorates of Public Works that have job order contracts. Ensure that the reviewer's recommendations are implemented for all applicable task orders.

Action 1-M: The Action Office will receive, evaluate and enforce corrective actions on DPW site inspection reports within seven workdays of inspection. Inspections have started and will be completed for all Directorates of Public Works by 30 Sep 01. Corrective action shall be taken on all deficiencies identified by the JOC coordinator and not just for the task orders on which deficiencies were noted but on all applicable task orders.

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Maintenance and Repair Type Contracts Awarded by the  
U.S. Army Corps of Engineers, Europe  
Page 4

Recommendation 1-N: Establish a timeframe for U.S. Army, Europe Directorates of Public Works to submit the job order contract monthly status reports to the contracting officer.

Recommendation 1-O: Enforce the established timeframe and requirements for the monthly status reports with the U.S. Army, Europe Directors of Public Works

Action 1-N and 1-O: The District and JOC Manual monthly status report requirement of the last working day of the reporting month was reinforced in a memorandum to the DPW's through USARUER. A copy of the JOC Manual was posted on the USAREUR Intranet. The JOC Manual stipulates the last working day of the month as the timeframe to submit the monthly reports. Actions completed 30 Mar 01.

Recommendation 1-P: Reevaluate the use of multiple award task order contracts for narrow disciplines of work.

Action 1-P: The Contracting Office will monitor MATOC task orders to control issuance. Work requirements have evolved to not require narrow disciplines of work and this requirement is not expected to recur in the future.

Recommendation 1-Q: Issue sole source task orders on multiple award task order contracts when necessary to meet the minimum requirements

Action 1-Q: Where ever practical the Europe District will comply.

Recommendation 1-R: Develop, issue, and implement standard operating procedures for contracting functions to provide for continuity of operations

Action 1-R: The Contracting Office will establish a plan and milestones, map out processes and develop procedures.

## U.S. Army, Europe Comments

Deleted



**DEPARTMENT OF THE ARMY**  
HEADQUARTERS, UNITED STATES ARMY, EUROPE, AND SEVENTH ARMY  
INTERNAL REVIEW AND AUDIT COMPLIANCE OFFICE  
UNIT 29381  
APO AE 08014

AEAGX-IA

2 Aug 2001

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, 400 Army  
Navy Drive, Arlington, VA 22202-2884

SUBJECT: Command Reply, DODIG Draft Report, Maintenance and Repair Type Contracts  
Awarded by the U.S. Army Corps of Engineers Europe

1. Headquarters, U.S. Army Europe (USAREUR) has reviewed the subject draft report and concurs with the findings and recommendations, except for Recommendation 2.i, addressed to USAREUR. As a result of the DODIG exit conference held at USAREUR on 29 Jul 01, all references to splitting task orders under this report and the associated recommendation 2.i, will be deleted as further review by DODIG have revealed no deficiencies. Our detailed response and clarifying comments are provided at Enclosure.
2. We appreciate the opportunity to review the draft report and to provide comments for consideration and inclusion in the final report.
3. The USAREUR point of contact for this action is Mr. Eric Tichay. He can be reached at DSN 370-7589, or via commercial from CONUS at 011-49-6221-577589, or via electronic mail at: eric.tichay@cmdgrp.hqusareur.army.mil.

Encl

WILLIAM L. WHANGER, II  
Chief, Internal Review and  
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**COMMAND REPLY  
DODIG DRAFT REPORT**

**Maintenance and Repair Type Contracts Awarded by the U.S. Army Corps of Engineers  
Europe**

**Summary:** DODIG concluded that U.S. Army Corps of Engineers and U.S. Army, Europe Directorates of Public Works personnel didn't properly award and administer contracts and task orders for the maintenance and repair of real property in Germany. DODIG suggested that contracts and task orders weren't properly awarded and administered because Corps of Engineers and Public Works personnel didn't: (i) adequately control and complete contract documents; (ii) properly report contractor performance; (iii) adequately document end of fiscal year task order awards; (iv) provide adequate job order contract oversight; (v) report contract actions in a timely manner; and (vi) have current standard operating procedures or contracting functions. DODIG claims that as a result, during the FY 1998 through 2000, the rights of the Government were not protected and there was greater potential for fraud, waste, and abuse of about \$50 million in job order contracts and multiple award task order contracts for real property maintenance in Germany.

**Additional Facts:** DODIG and USAREUR have agreed, as a result of the DODIG exit conference held at HQ USAREUR 29 July 01, to remove all references to splitting task orders under this report as further investigation by DODIG have revealed no wrong doing. As a result we will not reply to recommendation 2.i, in the comments to the draft report.

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**Recommendations and Command Comments**

USAREUR reviewed the final DRAFT report and concurs with all recommendations under Paragraph 2, page 17. The following lists the corrective actions command will take to comply with DODIG recommendations. The corrective actions apply to all 12 recommendations a-m (excluding recommendation i.). Some actions were taken immediately to correct deficiencies.

**Corrective Actions:**

1. USAREUR will endorse the proposed command memorandum from USACE to the ASG Commanders to express the importance of maintaining management control procedures during administration of Job Order Contracts (JOC) as indicated in the JOC Manual. The USACE memorandum is expected to completed by 15 September 01.
2. JOC Staff Assistance Visit (JOCSAV) program, funded by USAREUR and implemented by USACE, will continue at a minimum of twice a year for each JOC contract. DODIG recommendations, which are management control procedures found in the JOC Manual, will be reexamined and reviewed by USACE during the assistance visits to ensure compliance. The reexaminations were put in place as of 01 Jun 01. USAREUR will follow up within 3 weeks after the completion of each assistance visit to ensure compliance with JOCSAV findings.

Follow up will be conducted by the designated USAREUR JOC proponent and documented by the designee's Trip Reports.

USAREUR will verify that installations are following management control procedures specified under the JOC Manual based on the JOCSAV program.

The JOC Manual will be relabeled as the JOC Manual-SOP as it reflects detailed instructions on the administration of the JOC program. The manual outlines management control procedures for application on the administration of the JOC program. All recommendations under Paragraph 2 (a-m, excluding recommendation i.) were previously included in the JOC manual and require no change. However, examples of JOC documentation found in the appendixes will be updated. Changes to the manual will be completed by 15 Oct 01.

## **Audit Team Members**

The Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector General, DoD, who contributed to the report are listed below.

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